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KORN/FERRY INTERNATIONAL

Board of Directors

Tenth Annual Study

February 1983

A Publication of Korn/Ferry International

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Library of Congress
Catalog Card No. 78-643541
HD 2745.63a 658.4/2

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BOARD OF DIRECTORS ANNUAL STUDY

For the 10th consecutive year, Korn/Ferry International surveyed 1,000 of the largest U.S. corporations in an effort to better understand some of the major trends and changes affecting corporate governance.

When we compiled our first study in 1973, board responsibility was not taken all that seriously – by management or directors. The board, just 10 years ago, was regarded as little more than "window dressing." During the past decade, however, dramatic changes in board composition, policy and responsibilities – stimulated by both internal and external forces – have profoundly altered corporate governance. Evidence of this change can be found in the comparative data documented in this, our Tenth Annual Board Survey.

We also note, from our own experience in recruiting directors, that boards of directors and chief executive officers are increasingly aware of the benefits of more aggressively pursuing qualified, independent, topflight directors.

Certainly, this attitudinal change reflects pressure from the SEC and other groups to make board members more accountable to the corporation's constituencies. We also strongly believe that the corporate "spotlight" will intensify. The board represents a tactical weapon that has yet to be fully utilized.

The large body of statistical data that Korn/Ferry has assembled over the years clearly points to the conclusion that boards have been totally restructured during the past decade. The data this year suggests that the era of structural change is over.

In our opinion, trends in the next decade will show a swing to increased board power and influence.

We foresee *10 Emerging Trends* unfolding for the remainder of this decade. These trends seem to indicate management's understanding that the board will participate more fully in the determination of and accountability for corporate strategy, policies and practices.

TREND #1 – The responsibility of the board in determining corporate strategy will grow. The day of the "rubber stamp" board is over.

TREND #2—Board member compensation will continue to increase commensurate with involvement and contribution. For example, our 1973 survey revealed that 62 percent of directors were paid annual fees of $1,000-$7,000. This 1982 study reports that 67 percent of companies pay their directors annual fees ranging from $12,000-$20,000+. Some of the larger industrials surveyed reported paying outside directors fees as high as $50,000. The question we ask is not how high fees will rise but what should be expected of board members?

TREND #3—Senior executives from outside companies, with strong operating experience, will be the most sought after directors in the 80's. They bring with them fresh ideas, independence and sound judgments that are "battle-tested."

According to our most recent study, outside executives with operating experience were on the boards of 88 percent of the companies surveyed and on 95 percent of industrial companies exceeding $5 billion in revenues.

TREND #4—Outside board members that render professional services to the company (e.g. legal, investment or commercial banking) are on the decline.

Over the past 10 years, board representation by attorneys who provide legal services to the company dropped from 52 percent to 28 percent, commercial bankers declined from 55 percent to 34 percent and investment bankers were reduced from 37 percent to 24 percent.

Interestingly, and predictably, the declines were far greater in larger companies than in smaller ones.

TREND #5—The addition of women and ethnic minority directors has peaked. While the 10-year trend was up dramatically, we have observed that the trend is flattening. Boards will now seek directors with "operating experience" as the primary requirement.

TREND #6—Former high ranking government officials, particularly those with sound business experience, will be prime targets for board vacancies. Our latest study showed that 61 percent of the $5+ billion industrial companies have former government officials on their board. This trend should intensify as competition for government contracts and lobbying efforts by multi-billion dollar corporations mount.

TREND #7—An "age gap" will arise on boards as the many current directors near retirement. Company boards will be wise to stockpile "rising executive stars" in anticipation of this age gap. These younger board members will be groomed to understand the inner workings of a corporation and be expected to make a major contribution as well as a long-term commitment to the company and its shareholders.

TREND #8—Ineffective board members will resign as standards of performance increase. This will be accomplished through the establishment of tougher performance standards developed by board nominating committees.

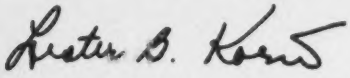
TREND #9—In order to most effectively carry out their expanded powers, boards will form their own management and administrative groups to support the directors. The board, like management, will be expected to establish short and long range goals and objectives and will be accountable for meeting them. Greater use of outside professional advisors, reporting directly to the board and supporting their activities, will take place in the next 10 years.

TREND #10—Renewed legal and fiduciary responsibility as well as increased duties and time commitment will greatly reduce the population of potential qualified directors—leading to an intensely competitive environment of director recruitment. Outside directors will find increased demands on their time limiting the number of boards on which they serve.

All of these trends emphasize that the director will become more of an activist in the years ahead as pressure mounts for corporations to improve performance—whether it be financially related or community oriented.

In short, we may well be embarking on another major chapter in the history of corporate governance in American business. The structural changes documented in this report are now leading to a period of board activism.

On behalf of all of us involved in this year's survey, we wish to thank the companies that took the time to participate.



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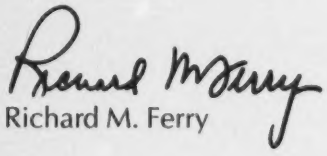

Richard M. Ferry

February, 1983

SUMMARY OF FINDINGS

On a question-by-question basis, the following are key findings of the Korn/Ferry International Tenth Annual Board of Directors Study.

1. Size of Board (Table 1)

For the ten years we have conducted this study, the average size of corporate boards has remained constant at 13.

Our study has consistently shown the direct correlation between company size and the number of board members. Among the industrials, the smaller companies (sales under $200 million) average nine directors. This progressively increases to an average of 15 directors for industrials with sales of $5 billion or more. Banks and other financial institutions once again have the largest boards, averaging 19, followed by insurance companies, averaging 16.

2. Inside Directors vs. Outside Directors (Tables 1 and 2)

Again this year, as in the past five years, the responding companies average four inside directors and nine outside directors. (Table 1)

Eighty percent of this year's respondents stated a preference for a majority of the board to be outside directors – up from 76 percent last year. And more than a third prefer three-quarters of their boards be outside directors. (Table 2) At 88 percent, banks and other financial institutions expressed the strongest preference for a majority of outside members.

3. Board Composition (Table 3)

Over the past ten years, there have been fundamental changes in the composition of corporate boards. Major gains in board seats were scored by:

- Women – From 11% in 1973 to 41% this year.
- Ethnic minorities – From 9% to 23%.
- Former government officials – From 14% to 27%.
- Academicians – From 35% to 50%.

Decreasing greatly in representation were:

- Attorneys who provide legal services to the company – From 52% in 1973 to 28% this year.
- Commercial bankers – From 55% to 34%.
- Investment bankers – From 37% to 24%.
- Major shareholders who are not officers of the company – From 43% to 30%.
- Retired or previously employed corporate officers – From 56% to 47%.

This changing pattern of representation continues to illuminate the most striking trend in corporate governance over the past 10 years – the trend toward seeking independent outside directors. The top three sources of outside directors continue to be senior executives of other companies (88%), retired executives of other companies (66%) and academicians (50%). (Table 3A) This indication that companies are most interested in outside directors with considerable business experience has been substantiated this year by a new question. When asked to name the primary consideration in asking a prospective director to sit on the board, 76 percent cited corporate experience. This holds true for academicians and former government officials as well. Among academicians, many are university presidents or deans with considerable management experience; while most former government officials directed large departments or agencies.

Women and ethnic minorities have made the most dramatic increases. Women now sit on more than 40 percent of this year's responding boards. Again, most are from categories with substantial business experience: academicians (23%), senior executives of other companies (22%), and former government officials (12%). The same is true of ethnic minorities, now on more than 20 percent of the boards of the companies surveyed. They are predominantly senior executives of other companies (33%), academicians (20%) or former government officials (11%). (Table 3B)

Former government officials continue to be a popular source for outside directors, especially among the large industrials. Although they are on only 10 percent of the boards of industrials under $200 million, they sit on more than 60 percent of the boards of industrials $5 billion and over.

4. Is the Chairman also the CEO? Is the CEO also the COO? (Table 4)

Seventy-nine percent of this year's respondents report that their chairman is also their chief executive officer – up from 74 percent last year. The larger the company, the more likely this will be true. Only 65 percent of the industrials with revenues under $200 million report this relationship compared to 84 percent of the billion dollar industrials.

Forty percent of the respondents, primarily the smaller industrials, state that their chief executive officer is also their chief operating officer.

5. Committees (Table 5)

One of the most noteworthy changes over the past 10 years is the rise to almost universal use of the audit committee. Ten years ago 72 percent of the respondents reported one – today, fully 98 percent have one. The nominating committee experienced the greatest percentage increase over the past 10 years. Only two percent of the respondents to our first survey reported having one.

This year, 57 percent of all respondents and more than 70 percent of the billion dollar industrials have a nominating committee. Of those that do have this committee, 58 percent report that it participates in board committee appointments. And along with the compensation and executive committees, it is used significantly in the management succession process.

The use of committees has escalated over the past 10 years, but the most prevalent standing committees continue to be the audit, the compensation and the executive. (Table 5A)

Committee composition has not changed over the past year, averaging between four and six directors. The audit and compensation committees continue to be composed entirely of outside directors and the executive committee – with three – has the most inside directors. (Table 5B) Committee appointments are reviewed annually by 89 percent of the respondents.

Committees meet on the average between two and four times during the year. (Table 5C) Respondents, when asked if they believed the amount of time directors devote to committees is increasing, decreasing or remaining the same, less than two percent stated that they thought it was decreasing (47% said it was increasing and 51% said it was remaining the same).

6. Compensation (Table 6)

As they have been for the past ten years, directors are predominantly paid on an annual plus per meeting fee basis. Moreover, the percentage of companies that compensate their outside directors in this manner has greatly increased– from 57 percent in 1973 to 85 percent this year. This number is even higher among insurance companies (93%) and billion dollar industrials (90%).

Twelve percent of the respondents compensate their outside directors on an annual fee only basis, down considerably from the 25 percent of ten years ago. Smaller companies are most likely to use this method of payment. This year, 33 percent of the industrials with revenues under $200 million compensate their directors in this manner. Also declining in popularity is the per meeting fee only method of compensation from 14 percent 10 years ago to less than three percent this year. (Table 6A)

– Annual and Per Meeting Fee (85% of the respondents)

  Outpacing inflation, fees for the outside directors compensated in this manner went up eight percent this year. They now average $16,990 compared to $15,660 last year. Over the past ten years, fees have more than doubled from the average $7,110 in 1973 or have risen approximately 13 percent per year.

Looking at the components of this method of compensation, the outside directors earned an average annual fee of $11,000. This is up 11 percent from the average annual fee of $9,900 earned last year. The average per meeting fee has, however, declined slightly from $680 reported last year to $657 this year. (Table 6B)

As would be expected, the larger the company the greater the total average compensation. For the smaller companies (under $200 million), the average is $8,720– and none pays more than $17,000. The billion dollar industrials, on the other hand, compensate their outside directors an average $22,040 per year with nearly 80 percent paying $17,000 or more. Among the largest of these ($5 billion and up), 41 percent pay more than $25,000. (Table 6C)

We have once again included, for comparative purposes, the "upper quartile average" for each category in the annual and per meeting fee table. The upper quartile average for all respondents is $26,500, seven percent more than last year's figure of $24,790. (Table 6C)

– Annual Fee only (12% of the respondents)

Among the companies that pay their outside directors an annual fee only, the average amount is $16,100. This is up 18 percent from last year's average of $13,600 and up 39 percent from the average of $11,600 five years ago. Smaller companies are more likely to use this method of compensation. In this year's survey, one-third of the industrials under $200 million reported compensating their outside directors in this manner. Of the respondents in this category, 29 percent pay $20,000 or more per year – compared to 21 percent last year. Ten years ago, only six percent paid over $12,000. (Table 6D)

– Per Meeting Fee Only (3% of the respondents)

Only 15 of this year's respondents use this method of compensation, generally the smaller banks and industrials. The average per meeting fee reported is $460. Ten years ago, 62 percent of the respondents in this category averaged under $250 per meeting; this year, only 27 percent averaged under that amount.

7. Committee Compensation (Table 7)

Eighty-nine percent of this year's respondents compensate their outside directors additionally for committee service – up from 66 percent 10 years ago. (Table 7A) Among these, the predominant means of payment is on a per meeting fee only basis. This year, 72 percent of the respondents who pay for committee service use this method – up from 63 percent last year. Twenty-one percent pay both an annual and a per meeting fee and seven percent, an annual fee only. (Table 7B)

Of the 72 percent that use the per meeting fee basis of payment, fees range this year from a low of $480 per meeting for the benefits committee up to $860 per meeting for the finance committee with an overall average of $570 for the chairman and $550 for committee members. The respondents that pay an annual plus per meeting fee for committee service (21%) average a per meeting fee of $590 and an annual fee of $3,310 for a total average compensation of $4,720 for committee chairmen. Committee members in this group average a per meeting fee of $660 and an annual fee of $2,720 for a total average compensation of $3,470. Of the seven percent that pay an annual fee only, that fee averages $6,470 per year for chairmen and $4,380 per year for members serving on a committee.

Committee fees are annually reviewed by 72 percent of this year's respondents.

8. Additional Compensation Information (Table 8)

Only 39 percent of the responding corporations raised fees for their outside directors during the past year, down significantly from the 52 percent who did so in last year's study. Furthermore, the average amount of the increase is down slightly – from a $3,520 raise in fees last year to $3,170 this year. (Table 8A)

Twenty-six percent of this year's respondents contemplate raising board fees an average of $2,210 during the coming year. These numbers are down somewhat from last year's responses also. Last year, 29 percent indicated a projected increase averaging $2,870. (Table 8B)

Board members are compensated even though they do not attend board meetings by 84 percent of the respondents, but that fee is almost always limited to the annual fee only. Eighty-six percent of this year's participants believe that outside directors are adequately compensated for their board services.

In 1982, the highest paid outside director earned an average of $21,720 for all board services exclusive of consulting arrangements. This represents a five percent increase over the 1981 average of $20,600. The upper quartile average, included for comparative purposes, is $36,550, up from $34,380 last year. (Table 8C) Additionally, 25 percent of this year's respondents have outside directors who receive special consulting fees.

Thirty-six percent of the participants in this year's study state that their board chairman has the primary responsibility for establishing board compensation. The compensation committee has this responsibility at 18 percent of the respondents and the entire board handles it at 22 percent. (Table 8D) Ninety-four percent of the respondents report having a procedure whereby the board annually reviews and establishes appropriate compensation levels for the chief executive officer. Ninety-one percent of the respondents report the same procedure for other senior officers.

Deferral of board fees is becoming an increasingly popular option for board members. This year, 55 percent of the respondents have a plan that allows compensation deferral – up 25 percent from last year. Another five percent report that they are contemplating the establishment of such a plan. There is a direct correlation between company size and the existence of an income deferral option. Only 28 percent of the smaller industrials (under $200 million) have one while 70 percent of the largest ($5 billion and up) report such a plan. Other benefits that are commonly included in compensation plans for outside directors include directors liability insurance (cited by 86% of the respondents), travel expense reimbursement (also cited by 86%), accident insurance (cited by 43%) and matching educational gifts programs (cited by 40%). Twenty-four percent of the respondents reimburse travel expenses for directors' spouses and 46 percent state that spouses are asked to attend special board functions. (Table 8E)

Fourteen percent of this year's participants have retirement plans for their outside directors – up from 12 percent last year. Again, these plans vary widely but are generally based on a formula that takes into consideration length of board service and fees in effect at the time of retirement.

9. Board Practices and Policies (Table 9)

For the sixth consecutive year, the respondents to this year's survey hold an average of eight meetings per year. Banks and financial institutions and the larger industrials ($3 billion and up) meet most frequently, an average of nine meetings per year. (Table 9A) Fifty-two percent of all participants hold at least one regular board meeting away from corporate headquarters or a major facility city during the year and 10 percent hold at least one of these meetings outside the United States.

An outside director of this year's respondents spends 123 hours per year on board related business, the same as last year. Once again there is a direct correlation between company size and time devoted to board matters. Directors of the largest industrials ($5 billion and up) spend more than double the amount of time than directors of the smaller industrials (under $200 million) on board business. (Table 9B) This year, directors averaged 48 hours on board and committee meetings, 34 hours on review and preparation time and 41 hours travelling.

Outside directors earned $138 per hour if paid on an annual plus per meeting fee basis. This is up nine percent from last year's hourly rate of $127.

Ninety-two percent of the respondents permit their key executives to serve on outside public boards, but 11 percent limit the number of executives that are permitted to do so. Ninety-five percent permit their chief executive officer to sit on outside boards.

Fifty-seven percent of the respondents require all their directors to sign the 10K Form instead of the simple majority required by the Securities and Exchange

Commission. This is up from 51 percent last year.

A mandatory retirement age is reported by 80 percent of this year's respondents. Here, too, there is a correlation with company size. Only 50 percent of the smaller companies (under $200 million) have mandatory retirement. This increases to 89 percent for the billion dollar industrials. Of the companies that do have a mandatory retirement policy, the average retirement age for their outside directors continues to be 70 – unchanged over the past seven years. The average retirement age for inside directors is 67 this year – down from 68 last year.

10. Locating Outside Directors (Table 10)

Thirty-six percent of this year's respondents had outside directors resign from their boards during the past year. At 51 percent, banks and financial institutions had the highest percentage of outside director resignations. While most of the respondents who had directors resign cited retirement as the major reason (63%), other frequently named factors include potential conflict of interest (15%) and time demands (12%).

Fifty percent of the respondents added one or more new outside directors to their boards this past year and 21 percent added new inside directors. (Table 10A)

To fill board vacancies, the respondents continue to rely predominantly on the traditional and informal methods of recommendation by the chairman (78%) and recommendation by other board members (76%). Use of the nominating committee continues to be an important method of selecting and identifying new outside directors. This year, 52 percent of the participants report its use compared to 37 percent five years ago. Recommendation by other corporate officers continues to decline – from 48 percent five years ago to 38 percent this year. Use of executive search firms increased this year – cited by nine percent compared to six percent last year as well as six percent five years ago. And among the billion dollar industrials, use of executive search is even more prevalent, rising to 13 percent. (Table 10B)

The participants in this year's study overwhelmingly named corporate experience as a primary consideration in asking a prospective director to sit on their boards (cited by 76%). Other major considerations include functional experience (45%), specific related experience (44%) and prestige (11%). (Table 10C) The respondents also expressed a clear preference for fully employed executives as board members.

Eighteen percent of the responding companies noted that prospective directors declined invitations to serve on their boards. Time commitment is the predominant reason given for declining (70%) with serving on too many boards (31%) and conflict of interest (22%) also of significance. (Table 10D)

Forty percent of the respondents expect a board vacancy this year.

11. Board Issues (Table 11)

Not surprising, financial results is the most important issue facing the boards of this year's respondents. When asked to rank various issues, 55 percent ranked financial results first, 82 percent ranked it first or second and 94 percent ranked it among the top three most important issues. Strategic planning is second, rated among the top three issues by 75 percent of the respondents, followed by day-to-day operations (47%), managerial succession (37%) and mergers and acquisitions (28%). (Table 11) When asked to project the rank of these same issues five years from now, the only significant differences are in the decreasing importance of day-to-day operations and the increasing importance of managerial succession.

When asked to estimate the percentage of time spent at board meetings on these same issues, financial results again was first. The respondents estimate that 32 percent of their board meetings are devoted to financial results, 23 percent to day-to-day operations and 11 percent to mergers and acquisitions. The time estimate for all other issues is under 10 percent.

12. Participating Companies

– Size of Participating Companies (Table 12)
– Stock Exchange of Participating Companies (Table 13)
– Type of Participating Companies (Table 14)

TABLE 1 – PRESENT NUMBER OF BOARD MEMBERS

What is the present number of board members?

Type and Size of Company	Average Number Inside Directors	Average Number Outside Directors	Average Number Directors
Industrials			
Under $200 million	3	6	9
$200 million-$399 million	3	7	10
$400 million-$599 million	3	8	11
$600 million-$999 million	4	8	12
$1 billion-$2.999 billion	4	9	13
$3 billion-$4.999 billion	4	10	14
$5 billion and over	5	10	15
Banks & Financial Institutions	4	15	19
Insurance Companies	4	12	16
Retailers	5	8	13
1982 Average	4	9	13
1973 Average	5	8	13

TABLE 2 – OUTSIDE DIRECTORS ON THE BOARD

What is the minimum percentage of outside directors preferred?

Minimum %	% 1981	% 1982
25% and under	5.0%	5.6%
26%-50%	13.2%	10.3%
51%-75%	47.7%	45.5%
76% and over	28.7%	34.0%
No Response	5.4%	4.6%
TOTAL	100.0%	100.0%
	(606)	(611)

TABLE 3—BOARD COMPOSITION

3A. Are one or more of the following individuals on the board?

	% 1973	% 1981	% 1982
Senior Executive (other companies)	85.3%	87.5%	88.2%
Retired or Previously Employed Corporate Officer	55.7%	49.2%	46.8%
Commercial Banker	55.4%	38.1%	33.6%
Attorney (provides legal services to the company)	51.7%	29.7%	28.2%
Academician	34.9%	50.3%	50.4%
Investment Banker	37.3%	27.4%	23.7%
Major Shareholder (not officer of the company)	43.1%	32.3%	30.4%
Attorney (does not provide legal services to the company)	N/A	32.2%	33.7%
Former Government Official	14.4%	26.7%	27.2%
Female	10.7%	38.9%	41.2%
Ethnic Minority Member	8.9%	17.5%	23.2%
Non-U.S. Citizen	N/A	15.0%	17.0%
International Executive (American)	N/A	8.9%	7.5%
"Professional" Director	N/A	14.2%	19.5%
Retired Executive (other companies)	N/A	65.0%	66.3%

TEN YEAR TREND

3B. From which of the above functions are most women and ethnic minorities drawn?

Function	% Women	% Minorities
Academicians	22.6%	19.9%
Sr. Executives (other company)	22.2%	32.6%
Former Government Officials	11.9%	11.3%
Attorneys (do not provide legal services)	10.3%	22.7%

TABLE 4—CHAIRMAN ALSO CEO, CEO ALSO COO

Is the Chairman of the Board also the Chief Executive Officer?
Is the Chief Executive Officer also the Chief Operating Officer?

	% CEO	% COO
Yes	78.7%	39.7%
No	20.0%	58.3%
No Response	1.3%	2.0%
TOTAL	100.0%	100.0%
	(611)	(611)

TABLE 5–COMMITTEES

5A. Which of the following standing committees does the board have?

Committee	% 1973	% 1982
Audit	71.9%	98.2%
Compensation	76.1%	86.3%
Executive	81.3%	78.4%
Finance	35.2%	35.7%
Public Affairs	6.1%	11.8%
Nominating	2.4%	56.6%
Corporate Ethics	N/A	8.0%
Benefits	N/A	32.9%

TEN YEAR TREND

5B. What is the composition of each committee?

Committee	Average Number Inside Directors	Average Number Outside Directors	Average Number Directors
Audit	0	4	4
Compensation	0	4	4
Executive	3	3	6
Finance	2	4	6
Public Affairs	1	4	5
Nominating	1	4	5
Corporate Ethics	1	4	5
Benefits	1	3	4

5C. How many committee meetings were held during the past twelve months?

Committee	1981 Average Number Of Meetings	1982 Average Number Of Meetings
Audit	3	3
Compensation	4	4
Executive	5	4
Finance	5	4
Public Affairs	3	3
Nominating	2	2
Corporate Ethics	3	2
Benefits	3	3

TABLE 6–COMPENSATION

6A. How are board members compensated?

Compensation	% 1973	% 1981	% 1982
Both Annual and Per Meeting Fee (see Table 6B and Table 6C for amounts)	57.2%	83.0%	84.8%
Annual Fee Only (see Table 6D for amount)	25.1%	13.9%	11.8%
Per Meeting Fee Only	14.4%	2.8%	2.5%
No Response	3.3%	0.3%	0.9%
TOTAL	100.0%	100.0%	100.0%
	(327)	(606)	(611)

TEN YEAR TREND

6B. Annual and Per Meeting Fee (84.8%)

Annual Fee Amount	% 1973	% 1981	% 1982
Under $1,000	2.7%	—	—
$1,000-$2,999	—	3.8%	3.1%
$3,000-$4,999	80.3%	6.2%	4.6%
$5,000-$6,999	—	17.5%	14.1%
$7,000-$10,999	—	31.6%	28.8%
$11,000-$13,999	17.0%	18.3%	18.9%
$14,000 and over	—	22.6%	29.5%
Unspecified	—	—	1.0%
TOTAL	100.0%	100.0%	100.0%
	(187)	(503)	(518)

TEN YEAR TREND

Average Annual Fee	N/A	$9,900	$11,000

PLUS

Amount Per Meeting	% 1973	% 1981	% 1982
Under $100	1.6%	0.2%	0.2%
$100-$249	58.4%	2.6%	1.7%
$250-$449	—	19.5%	15.1%
$450-$599	39.0%	36.6%	33.4%
$600 and over	—	41.1%	48.5%
Unspecified	1.0%	—	1.1%
TOTAL	100.0%	100.0%	100.0%
	(187)	(503	(518)

TEN YEAR TREND

Average Per Meeting Fee	N/A	$680	$657

COMPENSATION (continued)

EQUALS

Total Average Annual Compensation	% 1973	% 1981	% 1982
Under $5,000	21.8%	3.4%	1.8%
$5,000-$6,999	23.8%	3.6%	3.7%
$7,000-$10,999	24.8%	19.9%	15.7%
$11,000-$13,999		18.7%	16.3%
$14,000-$16,999		15.7%	16.9%
$17,000-$19,999	16.2%	13.3%	14.5%
$20,000-$24,999		18.3%	20.0%
$25,000 and over		7.1%	11.1%
Unspecified	13.4%	—	—
TOTAL	100.0%	100.0%	100.0%
	(187)	(503)	(518)
Average	$7,110	$15,660	$16,990

TEN YEAR TREND

6C. Annual and Per Meeting Fee (continued)

Type and Size of Company	Average Compensation	Upper Quartile Average
Industrials		
Under $200 million	$ 8,720	$13,000
$200 million-$399 million	$11,900	$16,800
$400 million-$599 million	$14,580	$24,800
$600 million-$999 million	$15,430	$22,300
$1 billion-$2.999 billion	$18,300	$25,300
$3 billion-$4.999 billion	$26,760	$30,620
$5 billion and over	$24,960	$34,610
Banks & Financial Institutions	$15,310	$24,650
Insurance Companies	$13,950	$22,920
Retailers	$16,950	$25,410
Average	$16,990	$26,500

6D. Annual Fee Only (11.8%)

Annual Fee Amount	% 1973	% 1982
Under $4,000	62.2%	—
$4,000-$6,999		12.5%
$7,000-$9,999	31.7%	12.5%
$10,000-$11,999		8.3%
$12,000-$13,999		18.1%
$14,000-$15,999	6.1%	11.1%
$16,000 and over		37.5%
TOTAL	100.0%	100.0%
	(82)	(72)
Average	$5,940	$16,100

TEN YEAR TREND

TABLE 7–COMMITTEE COMPENSATION

7A. Are outside directors paid an extra fee for serving on a committee?

	% 1973	% 1982
Yes	66.0%	88.7%
No	30.0%	9.0%
No Response	4.0%	2.3%
TOTAL	100.0%	100.0%
	(327)	(611)

TEN YEAR TREND

7B. If yes, how are they compensated?

Compensation	%
Per Meeting Fee Only	72.0%
Both Annual and Per Meeting Fee	21.4%
Annual Fee Only	6.6%
	100.0%
	(542)

TABLE 8–ADDITIONAL COMPENSATION INFORMATION

8A. Has board compensation been raised within the last twelve months?

	% 1981	% 1982
Yes	52.1%	38.5%
No	46.4%	60.7%
No Response	1.5%	0.8%
TOTAL	100.0%	100.0%
	(606)	(611)

If yes, by how much? (38.5%)

Type and Size of Company	1981 Increase	1982 Increase
Industrials		
Under $200 million	$3,130	$1,760
$200 million-$399 million	$2,390	$2,030
$400 million-$599 million	$2,520	$2,260
$600 million-$999 million	$2,690	$2,580
$1 billion-$2.999 billion	$3,240	$3,110
$3 billion-$4.999 billion	$6,920	$2,860
$5 billion and over	$5,030	$5,820
Banks & Financial Institutions	$2,830	$4,410
Insurance Companies	$4,170	$2,750
Retailers	$2,770	$2,560
Average	$3,520	$3,170

8B. Do you contemplate raising board compensation in the next year?

	% 1981	% 1982
Yes	28.7%	26.2%
No	67.0%	69.9%
No Response	4.3%	3.9%
TOTAL	100.0%	100.0%
	(606)	(611)

If yes, by how much? (26.2%)

Type and Size of Company	1981 Average Amount of Projected Increase	1982 Average Amount of Projected Increase
Industrials		
Under $200 million	$2,710	$1,930
$200 million-$399 million	$2,070	$1,240
$400 million-$599 million	$2,080	$2,260
$600 million-$999 million	$1,660	$2,750
$1 billion-$2.999 billion	$3,300	$2,340
$3 billion-$4.999 billion	$5,710	$2,690
$5 billion and over	$4,460	$4,280
Banks & Financial Institutions	$2,450	$1,750
Insurance Companies	$2,780	$1,630
Retailers	$3,520	$2,670
Average	$2,870	$2,210

8C. How much did the highest paid outside director receive in 1982 for all board service activities exclusive of any consulting fees?

Type and Size of Company	1978 Average Compensation	1982 Average Compensation	1982 Upper Quartile Average
Industrials			
Under $200 million	$ 8,570	$11,120	$20,300
$200 million-$399 million	$10,240	$16,940	$27,270
$400 million-$599 million	$13,210	$15,750	$23,380
$600 million-$999 million	$13,830	$17,460	$25,000
$1 billion-$2.999 billion	$19,760	$24,090	$36,160
$3 billion-$4.999 billion	$21,480	$30,580	$42,500
$5 billion and over	$26,020	$36,200	$49,100
Banks & Financial Institutions	$11,430	$20,700	$34,070
Insurance Companies	$13,790	$21,420	$39,460
Retailers	$14,070	$18,980	$27,500
Average	$13,940	$21,720	$36,550

FIVE YEAR TREND

8D. Who is primarily responsible for establishing board compensation?

	%
Chairman	35.5%
Compensation Committee	18.0%
Entire Board	21.6%
Combination of above	29.3%
No Response	3.6%
TOTAL	100.0%
	(611)

8E. What benefits are included in the compensation plan for outside directors?

	%
Travel Expense Reimbursement	86.4%
Directors Liability Insurance	85.6%
Deferral of Board Fees Until Retirement	55.3%
Accident Insurance	43.4%
Matching Educational Gifts Program	40.1%
Travel Expenses for Spouse	23.7%
Life Insurance	18.8%
Medical Insurance	10.5%

TABLE 9—BOARD PRACTICES AND POLICIES

9A. How many regular board meetings are held during the fiscal year?

Meetings Per Year	%
Under 5	18.5%
5-6	29.6%
7-9	16.2%
10-12	33.2%
13 and over	1.6%
No Response	0.9%
TOTAL	100.0%
	(611)
Average	8 meetings

9B. How many hours (estimated) do directors spend annually on board matters, including review, preparation, meetings and travel?

Number of Hours	% 1978	% 1982
Under 24	1.5%	2.1%
24 to 40	13.1%	4.4%
41 to 70	22.7%	17.2%
71 to 100	30.3%	20.8%
101 to 130	6.6%	14.2%
131 to 160	5.2%	10.5%
161 to 190	6.8%	5.2%
191 and over	13.8%	10.8%
No Response	—	14.8%
TOTAL	100.0%	100.0%
	(542)	(611)
Average	89 hours	123 hours

FIVE YEAR TREND

Hours (continued)

Type and Size of Company	Average Number of Hours	Upper Quartile Average
Industrials		
Under $200 million	85	138
$200 million-$399 million	109	169
$400 million-$599 million	107	162
$600 million-$999 million	112	187
$1 billion-$2.999 billion	145	198
$3 billion-$4.999 billion	152	217
$5 billion and over	176	226
Banks & Financial Institutions	114	174
Insurance Companies	107	186
Retailers	93	147
Average	123	189

TABLE 10—LOCATING OUTSIDE DIRECTORS

10A. How many new directors were added during the past year?

Number Added	% Inside Directors	% Outside Directors
None	53.7%	39.3%
One	16.9%	34.2%
Two	3.1%	11.3%
Three	0.8%	2.9%
Four or More	0.5%	1.4%
No Response	25.0%	10.9%
TOTAL	100.0%	100.0%
	(611)	(611)

10B. How are outside directors located for the board?

	% 1978	% 1982
Recommendation of chairman	75.1%	78.1%
Recommendation of board members	75.5%	75.5%
Selection or nominating committee	35.6%	51.9%
Recommendation of other corporate officers	48.2%	37.5%
Referral from executive acquaintances	19.2%	11.5%
Executive search	6.3%	9.2%
Bank referral	2.6%	1.8%
Referral from attorneys	2.0%	2.0%

FIVE YEAR TREND

10C. What are the primary considerations in asking a prospective director to sit on the board?

	%
Corporate experience	75.8%
Functional experience	44.5%
Specific related experience	43.9%
Prestige	10.8%
Other	7.5%

10D. Have any prospective directors declined an invitation to serve on the board during the past year?

	%
Yes	18.1%
No	78.7%
No Response	3.2%
TOTAL	100.0%
	(611)

If yes, what are the predominant reasons? (18.1%)

	%
Time commitment	70.0%
On too many boards	30.9%
Conflict of interest	21.8%

TABLE 11 – ISSUES

What is the relative importance of each of the following issues?

	% Ranking #1	% Ranking #1 or #2	% Ranking #1, #2 or #3
Financial results	55.2%	82.0%	93.7%
Strategic planning	21.1%	51.2%	74.6%
Day-to-day operations	17.3%	34.4%	47.1%
Managerial succession	9.9%	20.4%	36.8%
Mergers/Acquisitions	2.1%	10.6%	28.2%
Corporate ethics	1.5%	4.3%	10.5%
Shareholder relations	1.9%	4.5%	9.5%
Multinational issues	0.9%	4.4%	8.8%
Government relations	0.2%	1.9%	6.5%
Public relations	0.6%	1.9%	4.1%

TABLE 12—PARTICIPATING COMPANIES—SIZE

Size of Company	No. of Companies	%
Industrials		
Under $200 million	40	6.6%
$200 million-$399 million	81	13 3%
$400 million-$599 million	51	8.3%
$600 million-$999 million	58	9.5%
$1 billion-$2.999 billion	112	18.3%
$3 billion-$4.999 billion	51	8.3%
$5 billion and over	56	9.2%
Banks & Financial Institutions	76	12.4%
Insurance Companies	56	9.2%
Retailers	30	4.9%
TOTAL	611	100.0%

TABLE 13—PARTICIPATING COMPANIES—STOCK EXCHANGE

Exchange	%
New York Stock Exchange	71.8%
American Stock Exchange	5.7%
Over-the-Counter	13.4%
Other (private, mutual)	9.1%
TOTAL	100.0%
	(611)

TABLE 14—PARTICIPATING COMPANIES—TYPE

Type of Company*	%
Industrial	73.5%
Banking and Other Financial	12.4%
Insurance	9.2%
Retail	4.9%
TOTAL	100.0%
	(611)

*1000 companies were asked to participate. There were 611 responses available for tabulation at our deadline. The companies asked to participate included the "Fortune 500", the "Fortune" 50 major banking institutions, 50 major insurance companies, 50 major diversified financial companies, 50 major retailers, 50 major transportation companies and 250 selected smaller companies.

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